



DRAFT

DRAFT

Financial Affairs Committee

October 27, 1999

1) Opening Business

The meeting was held at East Bay Municipal Utility District's McLean Hall at Pardee Reservoir with a tour of the Mokelumne River fish hatchery facilities in the afternoon. Our thanks to EBMUD for their gracious hospitality and a great tour. Our special thanks to Alan Thompson, EBMUD, for coordinating the day's activities. The meeting began at 9:30 a.m.

The next Financial Affairs Committee meeting is scheduled for November 19, 1999 at the CVPWA office, 1521 "I" Street, Sacramento. The meeting will begin at 9:30 a.m.

2) Reclamation Issues

a) Update on water accounting program (RAIN)

Jim Bjornsen, Reclamation, commented that Reclamation is close to executing a contract with a new software developer to complete the development of the RAIN accounting program. Reclamation plans to go live with RAIN during fiscal year 2000.

b) Update on 2000 water rates

Jim Bjornsen, Reclamation, noted that the preliminary 2000 water rates were released on schedule the first week of October 1999 signaling the beginning of a 60-day review period, after which time the rates will become final. The CVPWA will be meeting with Reclamation on November 10, 1999 to resolve outstanding issues regarding the 2000 rates. The CVPWA will provide an overview of the FY 2000 rates at the November 19, 1999 FAC meeting and again on November 30 at the joint CVPWA Operations and FAC meeting at the ACWA conference in San Diego.

c) Update on 1998 contractor accountings

The CVPWA will also be resolving any outstanding issues regarding the 1998 accountings at the November 10th meeting with Reclamation on the 2000 water rates noted above.

d) Other

Contract Renewals: Category 1&2 Water and Ratesetting Impacts - Jim Bjornsen, Reclamation, commented that they are performing financial analyses to determine the impact of Category 1&2 water supplies on the computation of the annual water rates. The notion of establishing Category 1&2 water supplies surfaced as part of the ongoing contract renewal process as a means of implementing Tiered Pricing under CVPIA. Essentially Category 1 water under Reclamation's current thinking would represent a measure of a contractors historical usage/available water supply, which would likely be less than contract entitlement. Category 2 water would be the difference between Category 1 water and contract entitlement. No specific details of Reclamation's analysis were released at this time. Ron Jacobsma, FWUA, stated that based on the conceptual merits of Category 1&2 water supplies that the contractors would likely not favor their use for any purposes including ratesetting.

1999 Contractor Accountings – Jim Bjornsen, Reclamation, noted that they have sent out water delivery verification notices to the contractors as the first step in performing the 1999 contractor accountings. The deadline for responding to Reclamation is November 15, 1999.

3) FY 2002 Budget Workshops

The Area Office workshops have been concluded and comment letters outlining Reclamation O&M budget priorities for FY 2002 from the water and power contractor perspective have been submitted to each of the Area Office Managers.

The Mid-Pacific Region budget workshop is scheduled for October 29, 1999 at the Mid-Pacific Region office in Sacramento. The workshop will focus on summarizing the activities and issues noted at the three Area Office workshops. Additionally, there will be discussion regarding CVP wide programs administered by the Regional office. A workshop on Reclamation's procedures for determining and accounting for indirect costs will be held in the afternoon of the 29th immediately following the Regional budget workshop.

On a related matter, Ron Jacobsma, FWUA, provided an update on Reclamation's proposed Standard Processes of Costing (SPOC). The SPOC procedures are being developed by Reclamation in an effort to address both internal and external pressures "to develop and implement a common set of business practices for defining, costing, and charging direct and indirect costs".

Ron met with key financial and operations personnel from Reclamation's Denver office in October on behalf of the Family Farm Alliance and CVP contractors to discuss the proposed SPOC guidelines. Ron noted that the Reclamation personnel were very open minded and very genuine in their desire to develop a set of viable and practical procedures. Ron also noted that the Denver office representatives want to know the needs of Reclamation personnel and their customers. Reclamation also wants to provide better information to its system users regarding existing reporting capabilities of the FFS (Federal Financial System) and FRS (Federal Reporting System).

As part of the process of developing more informative financial reports, Reclamation has proposed selecting two trial projects and developing cost statements using the SPOC guidelines. Some of the goals for the trial reports are to report project costs not only as direct and indirect, but also provide a breakdown as to whether they are related to Salaries, material, outside services, overhead from other offices, etc. There are plans to create reports providing comparative analysis between periods as well as providing budget to actual comparisons. A final goal will be to present the cost information in a form that identifies contractor reimbursable costs versus non-reimbursable costs. The trial reports will be circulated among Reclamation personnel and customer representatives for review and comment. Appropriate changes will be made based on this feedback prior to finalizing the SPOC guidelines. Reclamation noted that costs associated with making system changes to accommodate the new SPOC guidelines would be non-reimbursable to the contractors; however, a portion of the costs associated with operating the system would be reimbursable.

4) CVPIA Program Managers Review

Kathy Kitchell, City of Roseville, and Chase Hurley, Panoche Water District, gave an overview of the CVPIA program manager's review held on October 7th in Sacramento. Both Kathy and Chase complemented Reclamation on the Restoration Fund 101 accounting workshop held in the morning prior to the program manager's review. Additionally, both thought that the program manager's reviews given in the afternoon were informative and comprehensive. It was noted, however, that there continues to be an inadequate demonstration that program goals and objectives are being met.

Chase noted that Jason Peltier, CVPWA Manager, continued to raise the issue regarding the huge sums of money being collected into the Restoration Fund but not being spent. At issue is whether changes can be made administratively or legislatively that would enable direct funding of certain restoration activities and avoid all of

the problems associated with the congressional appropriations process. Chase also noted that more stakeholder involvement in Restoration Fund activities is needed.

5) Warren Act Reform Legislation

Ron Jacobsma, FWUA, noted that the FFA has created an Ad Hoc committee to work with Reclamation on Warren Act issues. California and Colorado are expected to take the lead on the reform legislation effort. Ron noted that the CVPWA will likely need to contribute up to \$10,000 toward the Warren Act lobbying effort in 1999.

6) CVP Cost Reallocation Issues

Brice Bledsoe, CVPWA, gave an overview of the joint water and power customer cost allocation proposal and submitted it to Jim Bjornsen, Reclamation. For a copy of the executive summary or full proposal, call the CVPWA at 916-448-1638.

Reclamation will review the joint water and power proposal and work with water and power representatives to resolve technical issues. Reclamation anticipates that there will be another public workshop in January 2000 at which time all three current cost allocation proposals will be presented and previous comments on them addressed. The workshop will also be used to develop evaluation criteria.

7) Update on Reclamation's Post 2004 PUE Operations-Options Analysis Workgroup

Chase Hurley, Panoche WD, provided an update on the workgroup's progress. Chase noted that the workgroup continues to refine the 3 proposed alternatives and the scoring matrix. Navigant (formerly RMI) will begin performing various economic analyses and environmental analyses to assist the workgroup in analyzing and selecting the preferred alternative in the near future. Navigant cannot begin their analysis until Reclamation provides them with a representative sample of hourly pumping and generation data, which Reclamation is currently compiling. The next meeting of the workgroup is scheduled for November 23, 1999.

8) Discuss CVP Financial Issues for Briefing Reclamation's new Regional Director, Lester Snow

It was noted that if and when an opportunity arises for FAC representatives to meet with Lester Snow, we would discuss key financial issues before the Committee using the latest FAC meeting agenda as a guide. Genie Lombardo, Del Puerto WD, noted that issues surrounding Category 1&2 water and other financial issues related to the ongoing contract renewal process should also be discussed with Lester.

9) Other Issues

Arroyo Pasajero Flood Control Project – Brice Bledsoe, CVPWA, provided an update on the Arroyo Pasajero project. He noted that DWR has completed their seismic investigation study of the foundation site for the Gap Dam. The results of the study concluded that the foundation site could be made seismically sound; however, it is anticipated that the foundation work will be more expensive than initially estimated. As part of the study, DWR noted other areas where there is an opportunity for cost savings, which are anticipated to offset the cost increases associated with the foundation work. The end result is that DWR believes that the Gap Dam alternative could be constructed for the \$250 million estimated by the Corps.

Although the Gap Dam remains a financially viable alternative, it does not currently remain an environmentally viable alternative. This is due to the fact that the Fish and Wildlife Service has stated that the Gap Dam site can not be mitigated. DWR and SWC representatives are attempting to resolve this issue the Service.

The Corps has completed the redesign of the West Side Detention Basin to eliminate the overchute that would have passed flood flows over to lands east of the Aqueduct. In doing so, however, the benefit to cost ratio for this alternative became marginal at slightly less than 1:1. This could prove important in the event that the Gap

Dam alternative can not be environmentally mitigated, as the West Side Detention Basin is currently the only other proposed alternative.

DWR and Corps hope to resolve all of the above difficulties and produce a Chief's report in time to get the Arroyo Pasajero flood control project authorized as part of the 2000 WRDA (Water Resources Development Act) in June of 2000.

There being no further business, the meeting was adjourned.